COMPANY RESULTS

Dialog Group (DLG MK)

FY25: Earnings In Line, Excluding PT2SB Commercial Resolution

Despite lower dividends, DLG's FY25 core profit met our expectation after excluding various EIs such as a large one-off gain related to a commercial resolution in JV terminal PT2SB (as revealed by Vopak), and New Zealand land revaluation losses. While we trim forecasts slightly by 6-8%, we believe markets will ignore the delayed earnings recovery expectation, as more event catalysts (new storage projects) may materialise in the near term. Retain BUY and SOTP-based target price of RM2.50.

4QFY25 RESULTS

Year to 30 Jun (RMm)	4QFY25	qoq (% chg)	yoy (% chg)	YTD FY25	yoy (% chg)
Revenue	**608.3**	**5.1**	**(24.9)**	**2,501.6**	**(20.6)**
- Malaysia	340.9	(51.9)	(27.0)	1,438.1	(17.1)
- Overseas	267.4	(47.0)	(22.1)	1,063.5	(24.9)
JV/associates	93.1	24.6	10.8	293.2	(5.4)
Finance costs	-12.6	**12.5**	**(15.4)**	**(48.8)**	**(24.7)**
PBT	**181.4**	**17.9**	**6.2**	**375.9**	**na**
- Malaysia	170.6	40.8	37.3	292.8	(41.1)
- Overseas	10.7	(67.1)	(76.9)	83.0	(54.4)
PBT margin (%)	*29.8%*	3.2%	8.7%	15.0%	-5.1%
Tax	(29.5)	55.3	15.2	(66.2)	(10.3)
Net Profit	**147.4**	**9.3**	**6.5**	**303.8**	**(47.2)**
Core Profit	**126.0**	**(6.7)**	**(21.6)**	**456.1**	**(22.8)**

Source: Dialog (Dialog does not disclose EBIT quarterly breakdown by business segments), UOB Kay Hian

RESULTS

- **FY25 core profit in line, at 101%/105% of our/consensus estimates.** Exceptional items (EI) in 4QFY25 include: a) a RM2.5m asset disposal gain, b) a RM5.7m impairment reversal arising from successful sale of certain inventories for the food pellet JV Dialog-Diyou (reducing the total FY25 JV impairment to RM38m), c) a RM25m one-off gain in a JV storage terminal Pengerang Terminals (Two) SB (PT2SB), and d) an estimated RM13m loss from Australia/New Zealand which we understand is a one-off effect from land revaluation. The quarterly EBITDA base of RM160m since 2QFY25's kitchen-sinking exercise is in line with our forecast. Normalised FY25 JV income of RM306m is still lower yoy (FY24: RM310m), as the Thailand upstream JV production delivered lower JV income of RM7m (9MFY25: RM21m; FY24: RM40m) due to lower O&G prices and volume.

- **Lower-than-expected dividends issued.** Due to weaker reported profit and higher capex commitments for new upstream and storage projects, Dialog Group (DLG) is planning a FY25 DPS of RM0.031 (FY24: RM0.043), which still meets the minimum 40% payout.

KEY FINANCIALS

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,152	2,502	2,158	2,171	2,302
EBITDA	788	550	674	676	778
Operating profit	455	220	305	279	358
Net profit (rep./act.)	580	304	518	542	491
Net profit (adj.)	595	456	518	542	491
EPS (sen)	9.5	7.2	8.2	8.6	7.8
PE (x)	19.8	25.8	22.7	21.8	24.0
P/B (x)	2.0	2.1	1.9	1.8	1.8
EV/EBITDA (x)	11.3	15.7	17.5	16.3	14.8
Dividend yield (%)	2.1	1.5	1.8	1.8	1.7
Net margin (%)	18.4	12.1	24.0	24.9	21.3
Net debt/(cash) to equity (%)	2.2	n.m.	n.m.	0.5	1.7
Interest cover (x)	12.2	11.3	13.5	12.5	12.8
ROE (%)	13.9	7.5	12.2	12.3	10.8
Consensus net profit	-	-	534	580	-
UOBKH/Consensus (x)	-	-	0.97	0.93	-

Source: Dialog Group Bhd, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	RM1.87
Target Price	RM2.50
Upside	+33.7%

COMPANY DESCRIPTION

Dialog provides engineering, procurement, construction and commissioning (EPCC) services and plant maintenance services. The company also owns tank terminals that store oil and gas while marketing specialty chemicals and equipments.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	DLG MK
Shares issued (m):	5,642.6
Market cap (RMm):	10,552.0
Market cap (US$m):	2,293.9
3-mth avg daily t'over (US$m):	4.0

Price Performance (%)

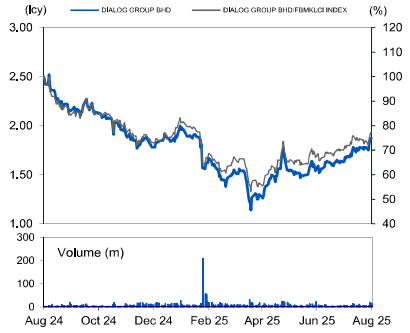
52-week high/low RM2.52/RM1.13

1mth	3mth	6mth	1yr	YTD
(14.0)	(15.4)	(15.4)	(25.2)	1.1

Major Shareholders	%
Ngau Boon Keat	18.3
EPF	16.7
Azam Utama	7.6

FY26 NAV/Share (RM)	1.00
FY26 Net Debt/Share (RM)	na

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Royal Vopak: PT2SB recognises one-off EUR21.7m gain from commercial resolution.** To recall, a refinery fire resulted in severe outages in the PRefChem complex in Mar 20, causing it to stay closed until mid-23. As per our earlier update, PT2SB reached a commercial resolution for the net receivables in end-24, which was at a critical EUR211m (gross basis). The EUR21.7m EBITDA received by PT2SB in 2Q25 as revealed by Vopak marks the completion of the commercial resolution for PT2SB and its net receivables. Vopak guided that there are no more outstanding claims. While Dialog (25% stakeholder) did not mention the same, we assume the net one-off gain in Dialog's 4QFY25 JV income was RM25m.
- **We believe land revaluation of Dialog Property (NZ) Limited was updated.** Findings from the New Zealand Land authorities revealed Dialog's last purchase of various properties was about NZ$58m during 2021-22. Findings from Property Value NZ website revealed some of the properties, examples being 491 and 493 Parnell Road (owned by subsidiary Parnell Park Development), were revalued in mid-24 at NZ$3.3m/NZ$2.9m respectively, vs NZ$3.6m/NZ$3.0m in 2021. We found out that land and property revaluations in New Zealand are typically conducted every three years by the local councils; hence, we believe the 4QFY25 revaluation loss is non-recurring.
- **Moritmasu-Dialog JV likely to incur losses for FY25.** The RM250m facility is being progressively opened to market Hong Kong listed Moritmasu's Japanese technology as a one-stop engineering/fabrication services for modules, with a revenue target of RM300m. The JV incurred losses of Rmb12.2m/Rmb15.4m for 2023/2024 respectively, according to Moritmasu. This implies the share of JV loss to Dialog (FYE June) was RM4m for 1HFY25. However, we believe it will be difficult to consult with Dialog for further information. This was because the JV agreement was amended in Jan 24, resulting in Moritmasu obtaining control (henceforth, the investment is reclassified as its subsidiary) while Dialog retain only "protective rights". We estimate the JV is still loss-making for FY25 given the delayed facility startup and costs uncertainties due to Trump's tariff.
- **ESG update: Dialog Fitzroy.** The aforementioned land was purchased to prepare Dialog's new modular construction division. While we are unsure on the status of those land relative to Dialog Fitzroy's strategy, we understand the subsidiary was recently confirmed as an engineering, procurement and construction (EPC) delivery partner for the Good Earth Green Hydrogen and Ammonia (GEGHA) project. GEGHA is an innovative clean energy project, and is targeted to begin construction of the first-of-its-kind facility that combines solar, ammonia and green hydrogen in 2025. The client is Hiringa Energy, which, coincidentally, Dialog Group was a minor investor in during its startup investment.

EARNINGS REVISION/ RISK

- **Cut 2026-27 earnings by 6%/8%.** This is after adjusting for the latest full-year result, while we remain conservative despite the developments of future upstream projects like Baram Junior Cluster (BJC) as long-term oil prices are expected to be lacklustre.

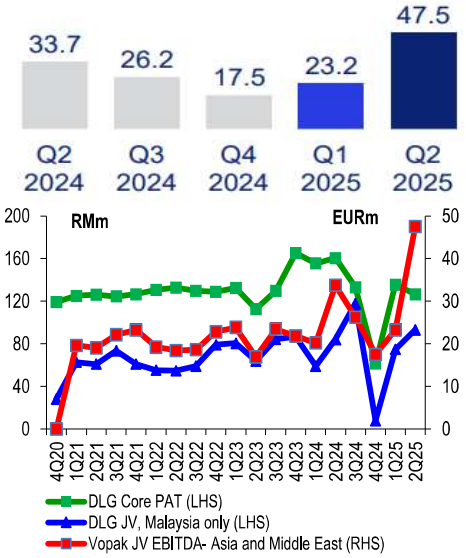
STOCK VALUATION/ RECOMMENDATION

- **Maintain BUY and target price of RM2.50** pegged to FY26 valuations (at implied 30x FY26F PE). We still stick to our conviction that earnings recovery will be driven by multiple fronts and not only from the new storage project. Having said, while results are in line, the recovery trend is still taking longer than expected. However, we think markets will ignore the earnings performance and look forward to more growth catalysts riding on the Johor-Singapore economic wave. This is not fully priced in, with more storage projects to come (ie potentially a 1m cbm storage terminal dedicated to ChemOne's aromatics plant). For now, we retain our SOTP-based target price as the biorefinery-related storage is part of our RM0.45 estimate for Pengerang Phase 3 storage.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Carbon (CO2) emission.** Scope 1 and 2 emissions are higher at 17,326 tCO2e in FY23 from 14,865 tCO2e in FY22. But Dialog has formulated its sustainability goals.
  - **Safety (HSE).** Nil Lost Time Injury (LTI) frequency in FY23 (FY22: 0.00).
- **Social**
  - **Diversity.** 21% female representation in the management team (FY22: 19%).
  - **>RM440m donations since inception of MyKasih** (set up by the founder).
- **Governance**
  - Five out of nine board members are independent with diverse backgrounds, even though there is family representation in the management team.

VOPAK: EBITDA GENERATED FROM ASIA AND MIDDLE EAST JV TERMINALS



Source: Royal Vopak Results Presentations, Dialog, UOB Kay Hian

DIALOG PROPERTY (NZ) LIMITED DETAILS

Case no; *Decision date*	Details; *Plans*	Price (NZ$)
202200324; *17 Oct 2022*	104 Dixon Street Limited; 98 Dixon Street, Wellington; *~46 new residential dwelling*	3.7m
202100563; *2 Dec 2021*	576 GSR Development; 5, 7 and 7A Main Highway, Ellerslie, Auckland; *~20 new residential dwellings, >130 new apartments*	8.0m
202100656; *10 Dec 2021*	Parnell Park Development; 491, 493 and 509 Parnell Road, Auckland; *~15 new residential dwellings, >30 new apartments*	12.7m
202100658; *23 Nov 2021*	Domain Gardens Development; 1 Domain Drive, Auckland; *~ 140 new residential dwelling, >91 bedrooms*	33.5m

Source: Land Information New Zealand, Overseas Investment Decision

GEGHA PROJECT

	Capacity	Details
Solar	36 MW	Supported by Battery Energy Storage System (BESS)
BESS	41 MWh	-
Green H2	15 MW	Electrolysis to produce hydrogen (H2) from renewable electricity
Ammonia	16 ton/day	Utilising H2 and air-captured nitrogen
Ammonia storage	600 tonnes	-
H2 storage	3 tonnes	-

Source: Hiringa Energy

PROFIT & LOSS

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	**2,502**	**2,158**	**2,171**	**2,302**
EBITDA	550	674	676	778
Deprec. & amort.	329	370	397	420
EBIT	220	305	279	358
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	293	319	382	253
Net interest income/(expense)	(49)	(50)	(54)	(61)
Pre-tax profit	**376**	**574**	**606**	**549**
Tax	(66)	(40)	(42)	(38)
Minorities	(6)	(15)	(22)	(20)
Net profit	**304**	**518**	**542**	**491**
Net profit (adj.)	456	518	542	491

BALANCE SHEET

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	2,644	2,862	3,074	3,253
Other LT assets	2,522	2,822	3,122	3,375
Cash/ST investment	1,670	1,755	1,884	2,032
Other current assets	483	417	419	445
Total assets	**8,687**	**8,886**	**9,438**	**10,105**
ST debt	861	1,175	1,323	1,482
Other current liabilities	809	739	758	781
LT debt	861	1,175	1,323	1,482
Other LT liabilities	21	21	21	21
Shareholders' equity	5,741	6,052	6,377	6,672
Minority interest	502	524	520	638
Total liabilities & equity	**8,687**	**8,886**	**9,438**	**10,105**

CASH FLOW

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	**1,187**	**1,342**	**1,260**	**1,383**
Pre-tax profit	376	574	606	549606
Tax	(80)	(40)	(42)	(42)
Deprec. & amort.	329	370	397	397
Working capital changes	273	20	15	(4)
Other operating cashflows	119	120	124	131
Investing	**(479)**	**(800)**	**(800)**	**(753)**
Capex (growth)	(118)	(250)	(250)	(250)
Investments	(359)	(300)	(300)	(253)
Others	(2)	(250)	(250)	(250)
Financing	**(418)**	**(157)**	**(171)**	**(157)**
Proceeds from borrowings	(76)	250	250	250
Loan repayment	(49)	(50)	(54)	(61)
Others/interest paid	(293)	(357)	(367)	(347)
Net cash inflow (outflow)	**120**	**86**	**129**	**148**
Beginning cash & cash equivalent	**1,572**	**1,669**	**1,755**	**1,884**
Changes due to forex impact	(22)	0	0	0
Ending cash & cash equivalent	**1,670**	**1,755**	**1,884**	**2,032** 1,780

KEY METRICS

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	22.0	31.2	31.1	33.8 279
Pre-tax margin	15.0	26.6	27.9	23.9
Net margin	12.1	24.0	24.9	21.3
ROA	4.7	8.0	8.0	6.9
ROE	11.2	12.2	12.3	10.8
Growth				
Turnover	(1.3)	(14.9)	(14.4)	(9.2)
EBITDA	56.3	91.8	92.3	121.3
Pre-tax profit	1.9	55.6	64.4	49.0
Net profit	3.0	75.6	83.6	66.6
Net profit (adj.)	57.9	79.4	87.5	70.1
EPS	57.9	79.4	87.5	70.1
Leverage				
Debt to total capital	25.4	25.9	27.7	29.3
Debt to equity	27.6	28.1	30.0	32.1
Net debt/(cash) to equity	-	-	0.5	1.7
Interest cover (x)	11.3	13.5	12.5	12.8

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